



UNITED STATES SENATOR • NEBRASKA

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P R E S S R E L E A S E

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TESTIMONY of SENATOR CHUCK HAGEL ***U.S.-China Security Review Commission***

"I would like to thank Chairman D'Amato and the members of the U.S.-China Security Review Commission for an opportunity to present some thoughts this morning.

This Commission is charged with the task of assessing the impact of the U.S.-China economic relationship on our national security. This is critical work, because national security is the most fundamental consideration in any foreign policy. It is also difficult work, because the many factors that influence national security are interconnected, uncontrollable and difficult to assess on an individual basis. That is especially true for economic factors in this interconnected global economy.

Compounding the problem is the fact that our relationship with China is the most complicated bilateral relationship we have today, and that is likely to remain true for many years. China is a rising power increasingly capable of challenging U.S. interests in Asia. Domestically, Chinese society has been undergoing significant change. It is impossible to predict what China will look like in ten years, much less twenty. Only one thing is certain - our national security interests, and those of our friends and allies in Asia, will be best served if we can find ways to establish a working relationship with China that allows us to peacefully work through our differences.

The United States has, and will continue to have, serious differences with China. We do not agree with the Chinese government's domestic suppression of freedom of speech, or of peoples' religious rights. We do not agree with China's threatening military posturing towards Taiwan. We do not agree with Chinese proliferation of missile technology. The Chinese behavior following the collision between the American EP-3E surveillance plane and the Chinese fighter jet was very troubling. The Chinese violated all rules of international engagement and international norms in holding the American crew for 11 days. It took weeks to come to an agreement on the return of our plane.

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The EP-3E incident is a good reality test. It demonstrates the hard work that lies ahead if we are to forge a relationship between our two countries that allows us to manage our differences peacefully.

The challenge of injecting some stability and predictability into U.S.-China relations is considerable. However, the opportunities are also considerable, and the alternative is unacceptable and dangerous. A working relationship must be founded on common interests. One such shared overarching interest with the people of China is trade. Trade is the biggest common denominator between our two countries. It is not a panacea, or an excuse to defer tough decisions, but rather it offers the mutual benefits necessary to constructing a stable relationship for the future. For that reason, I believe that economic engagement with China strongly serves our national security interests.

It is clearly in America's economic interests to open up China's markets and increase trade opportunities. Trade is increasingly important to our own economic growth. Expanded exports of U.S. goods and services accounted for more than 21 percent of GDP growth in 2000. U.S. exports to China have also grown steadily since 1985 (including a jump of nearly 24% from 1999 to 2000) but have failed to keep pace with imports. It is in our best interest to adjust this imbalance.

Last year's Congressional vote on Permanent Normal Trade Relations (PNTR) was a good start. If Congress had not voted to grant PNTR to China, we would have put our American businesses and farmers at a disadvantage compared to their competitors from Europe and Asia. In this increasingly competitive global economy, it would not have made sense to penalize our own national interests.

When China accedes to the World Trade Organization (WTO), American businesses and farmers will begin to have a fair shot at China's markets. For example, the USDA estimates that China's WTO accession could triple U.S. agricultural exports by 2005. Our services sector has consistently enjoyed a trade surplus with China. This sector, together with other competitive sectors of our economy, is in a good position to take advantage of the opportunities that China's WTO accession presents.

It is also clearly in the interests of the Chinese people for China to open up its markets. The beneficiaries of increased trade are the Chinese people. Trade and foreign investment have been the engines of economic growth in China, and have helped pull millions out of poverty. Chinese citizens benefit from the jobs created by American investors who seek to establish a domestic presence in China. America's markets and capital are vital to China's continued economic growth and increased prosperity for its people. This in turn is very important for America's long-term economic and geo-political interests in China.

Trade, investment and economic growth can help improve personal liberty and the quality of life for millions of Chinese. History records that economic growth helps promote freedom. The alternative is also clear. During the decades that China shut itself off from the rest of the world, the Chinese people suffered terribly from political campaigns that ruined the economy, starved the people and suppressed all forms of personal freedom, including religious freedom. Tens of millions of people lost their lives during those decades.

It is no coincidence that the strongest advocates for political change in Beijing are also the strongest proponents of continued U.S.-China trade and China's accession to the WTO. Leaders in Taiwan, Hong Kong's democratic activist and Legislative Council member Martin Lee, the Dalai Lama, and many prominent Chinese dissidents like Dai Qing are pushing for China's accession to the WTO. They understand the link between an open economy and an open political system. They understand that shutting down the millions of exchanges that trade entails plays into the hands of China's hard-liners. China has a long way to go, but trade with other nations will move it in the right direction, and help sustain the momentum for change.

For all these reasons, the current U.S. policy of economic engagement with China serves American national security interests. However, we must also address the need to get our own house in order in terms of the export of dual-use technologies and goods to China. The Export Administration Act reauthorization bill, yet to be considered in the Senate, will help achieve more practical controls on potentially-dangerous goods going to China by focusing our resources on the truly critical technologies key to weapons proliferation and not on goods easily available in the global marketplace. A transparent, efficient and realistic system of export controls will encourage the full participation and attention of the business community, and enhance its ability to comply with export requirements. We must also work with our allies and friends in this effort. The effectiveness of unilateral controls is limited and will only go so far. Unilateral sanctions in today's world do not serve the economic, geo-political or security interests of this country. It is the lazy, unimaginative and self-defeating approach to difficult and complicated problems.

We must also recognize the limits of our ability to influence Beijing's behavior. We cannot control the decisions of China's leaders. We do not know if they will be wise enough to meet us half-way, and search for opportunities for cooperation rather than focusing on our differences. The mutual benefits of trade and investment may not be enough to outweigh those differences and prevent our countries from engaging in serious clashes.

We can, however, control our own approach. As the U.S. Congress once again approaches the yearly debate on granting Normal Trade Relations to China, we should remember that withholding NTR would represent a deliberate move to destroy the trade relationship.

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Would this make Asia more stable? Would it advance our own national security interests? Will it further human rights in China? The answer to all of these questions is "no." It would deal a blow to one of the single most important common interests our two countries share. That would be short-sighted and unwise.

The most important dynamic in our relationship with China is to always frame up the issues, our policies and our actions from the perspective of the "big picture," focusing on long-term consequences as well as short-term consequences. The long-term view must always be our paramount view in dealing with China."